Court File No. CV-16-11369-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

and

1299746 ONTARIO INC. o/a COMPUQUEST2000 and
2252709 ONTARIO INC.

Respondent

EIGHTH REPORT OF THE RECEIVER

August 21, 2017

Grant Thornton Limited
Receiver of the Respondents

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

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INTRODUCTION AND BACKGROUND

1. This report (the "**Eighth Report**") is being filed by Grant Thornton Limited ("**GTL**") in its capacity as the receiver (in such capacity, the "**Receiver**") of 1299746 Ontario Inc. o/a Compuquest2000 ("**Compuquest**") and 2252709 Ontario Inc. ("**225**") (together, the "**Debtors**") and as Receiver of a real property at 7472 Ashburn Road, Whitby, Ontario (the "**Ashburn Property**"). GTL was appointed as Interim Receiver of Compuquest pursuant to the Order of Madam Justice Mesbur dated April 29, 2016 (the "**IR Order**"). The IR Order was sought by CIBC due to, among other things, serious concerns with the financial viability of the Debtors, the lack of financial reporting as required by the Debtors' security agreement, and the apparent absence of ongoing operations at Compuquest's premises. Compuquest was engaged in the business of purchasing used electronics and selling them as refurbished units, or disassembling the units to salvage key parts for resale. Compuquest's assets consisted mainly of computer equipment, furniture and warehouse support equipment.

2. GTL filed a report as Interim Receiver on May 13, 2016 which discussed, among other things, the Debtors' minimal assets, limited business operations and deteriorating financial position (the "**Interim Receiver's Report**").

3. GTL was appointed as Receiver of the Debtors by Order of Mr. Justice Newbould dated May 17, 2016.

4. GTL was appointed as trustee in bankruptcy (in such capacity, the "**Trustee**") of Compuquest and Gary Bodimeade ("**Gary**") (the principal of the Debtors) pursuant to Orders made by Mr. Justice Newbould dated May 25, 2016, on application by CIBC.

5. GTL filed its First Report as Receiver dated September 16, 2016 (the "**First Report**") in support of a motion, among other things, to approve the activities and fees of the Receiver and to approve the sale of 225's

principal asset, being a real property at 1935 Silicon Drive, Pickering, and the distribution of the sale proceeds to CIBC

6. As discussed in the Interim Receiver's Report and the First Report, there appeared to have been limited business operations for several months leading up to the Receiver's appointment. Compuquest had minimal inventory and accounts receivable, as compared to what had been represented on its most recent financial statements. As of May 31, 2015, Compuquest's financial statements showed assets of $5,681,326, including accounts receivable of $2,705,143, inventory of $2,397,177 and property, plant and equipment valued at $432,618.

7. In contrast, there were no collectible accounts receivable noted effective on the date of the Interim Receiver's appointment. The Receiver's total realization on inventory and equipment was $129,610.00 plus HST of $16,849.30 less the liquidator's expenses of $21,917.71. There have been no distributions to CIBC as first-position secured creditor of Compuquest.

8. The Receiver filed its Second Report as Receiver dated November 24, 2016 (the "**Second Report**") in support of a motion brought by CIBC for an Order appointing GTL as receiver, without security, of Ashburn Property, with the power to market and sell the Ashburn Property and hold the proceeds of any such sale pending a further Order of the Court.

9. The Ashburn Property is the former matrimonial home of Gary and his wife, Aimee Bodimeade ("**Aimee**"). Gary and Aimee separated several months before GTL's appointment as Interim Receiver, Receiver and Trustee.

10. The Ashburn Property was purchased in Aimee's name on or about September 28, 2007 for $638,000. Since 2007, the Ashburn Property has been subject to significant improvements, including the construction of:

a. An approximately 5,680 square foot two-storey detached residential dwelling, excluding the basement;

b. An approximately 3,196 square foot finished basement with dance studio, family room, gym, bedroom and three piece bathroom;

c. An outdoor pool with pool house;

d. An approximately 800 square foot heated and insulated SUV garage;

e. An approximately 11,000 square foot equestrian barn complete with riding centre and stalls for 14 horses; and

f. An approximately 2,400 square foot insulated hay/equipment barn.

11. In addition to holding first-position security against Compuquest, CIBC holds a conventional first mortgage over the Ashburn Property and is a major creditor in Gary's personal bankruptcy. CIBC is owed in excess of $1.7 million under a revolving line of credit provided to Compuquest and guaranteed by Gary.

12. CIBC sought the appointment of GTL as Receiver of the Ashburn Property based on, among other things:

a. Gary's spousal interest in the Ashburn Property, which was registered on title and vested in the Trustee;

b. Admissions made by Gary (found in Compuquest's email records) that Compuquest had funded the construction of improvements to the Ashburn Property and other personal expenses of the Bodimeades;

c. Substantial corroborating evidence uncovered by Receiver in the form of, among other things, cheques issued by Compuquest to pay for improvements to the Ashburn Property as well as other personal expenses of the Bodimeades;

d. Registrations against title surrounding unsubstantiated claims by Dean Salem (“**Salem**”) and Norris Technologies LLC (“**Norris**”) claiming an interest in the Ashburn Property;

e. Aimee’s failure to list the Ashburn Property for sale on a timely basis, despite having initially agreed to do so.

13. Salem and Norris issued a Notice of Application bearing Court File No. CV-16-555283 (the “**Norris Application**”) against Aimee on June 22, 2016 and obtained and registered a Certificate of Pending Litigation (“**CPL**”) against the Ashburn Property on or about June 30, 2016. Thereafter, Salem and Norris obtained an Order of Mr. Justice Glustein dated August 9, 2017, which they also registered against the Ashburn Property (the “**Glustein Order**”). Both the CPL and the Glustein Order were obtained by Salem and Norris after Gary’s bankruptcy and without prior notice to the Trustee or the Receiver.

14. By Order of Mr. Justice Hainey dated November 30, 2016, the Norris Application has been transferred to the Commercial List to be dealt with in conjunction with the receivership and bankruptcies of Compuquest and Gary.

15. Gary and Aimee filed affidavits in response to CIBC’s motion to appoint GTL as Receiver of the Ashburn Property.

16. The Receiver filed its Third Report dated January 11, 2017 supplementary to the Second Report and in response to the affidavits of Gary and Aimee.

17. After cross-examinations of Gary and Aimee on their affidavits, CIBC’s motion was heard on January 25, 2017. By Order of Madam Justice

Conway, GTL was appointed as Receiver of the Ashburn Property (the "**Ashburn Appointment Order**").

18. The Receiver actively marketed the Ashburn Property for sale, through a listing agent and with Aimee's cooperation, and entered into an Agreement of Purchase and Sale on May 26, 2017 (the "**Ashburn Sale Agreement**"), which was conditional on court approval.

19. The Ashburn Sale Agreement was approved on July 17, 2017 and a vesting order was issued. The Ashburn Sale Agreement is scheduled to close on September 12, 2017.

20. As will be addressed below, Aimee, the Receiver and CIBC have agreed on an interim distribution of funds from the sale proceeds.

21. The same defined terms will be used herein as in the Receiver's previous reports, unless otherwise defined.

SCOPE AND TERMS OF REFERENCE

22. In preparing this Eighth Report, the Receiver has relied upon certain unaudited financial information, the Debtors' records, the Debtors' bank statements and supporting records received from its financial institutions and other financial information. While the Receiver has performed a preliminary review of available books and records of Compuquest and 225, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

23. This Eighth Report has been prepared for the use of this Court and the Debtors' stakeholders for the sole purpose of approving an interim

distribution of funds from the proceeds of sale of the Ashburn Property pursuant to the interim settlement negotiated between the Receiver with Aimee. Accordingly, the reader is cautioned that this Eighth Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Eighth Report for any other purpose.

24. All references to dollars in this Eighth Report are in Canadian currency unless otherwise noted.

APPROVAL OF THE INTERIM DISTRIBUTION OF FUNDS

25. Paragraph 11 of the Ashburn Appointment Order expressly provided that the Order was without prejudice to Aimee's or any other party's right to address distribution of funds on any motion to address approval of the sale of the Ashburn Property.

26. In April 2017, the Receiver booked a hearing date of July 17, 2017 to discharge the CPL and the Glustein Order from title to the Ashburn Property and to dismiss the Norris Application. The Receiver's Fifth Report addresses delays in obtaining information from Salem and Norris. The Receiver's Motion Record was served on June 19, 2017 and also sought approval of the Ashburn Sale Agreement.

27. On July 17, 2017, Madam Justice Conway approved the Ashburn Sale Agreement. The CPL and Glustein Order were ordered discharged on consent and without prejudice.

28. Madam Justice Conway was unable to deal with the Receiver's motion to dismiss the Norris Application or Aimee's request for an interim distribution of funds as a result of the last-minute delivery by Salem/Norris of a 1,900 page responding motion record on July 14, 2017. The Receiver delivered its Seventh Report dated July 17, 2017 responding to this record.

29. Madam Justice Conway recognized the urgency of dealing with the Norris Application and Aimee's request for an interim distribution of funds prior to the sale closing and repeatedly urged the Receiver to attempt to negotiate an interim distribution of funds. The motions were adjourned to an expedited date of August 10, 2017.

30. On July 20, 2017, Aimee delivered a formal cross-motion record seeking the distribution of $1 million from the sale proceeds to her, supported by a further lengthy affidavit. The Receiver disputed Aimee's entitlement to $1 million from the sale proceeds.

31. Cross-examinations of Aimee and Salem were held on July 24, 2017 and July 26, 2017 respectively.

32. The parties were ready to proceed on August 10, 2017. However, Mr. Justice Lederman determined that, given the volume of materials and disputed evidence, there was insufficient time to hear the motions. The motions were adjourned to a full day hearing on November 6, 2017.

33. Following the adjournment, Aimee, through her counsel, approached the Receiver to settle her motion for an interim distribution of funds. The Receiver was prepared to make an interim distribution of funds to Aimee, conditional on Aimee's consent to an interim distribution of funds to GTL as Receiver of Compuquest in respect of its tracing claim.

34. Pursuant to the settlement, the agreed distributions are as follows:

    a. Payment of all sums required to discharge CIBC's $1 million first mortgage against the Ashburn Property;

    b. $250,000.00 to Aimee or as she may direct;

    c. $500,000.00 to GTL in its capacity as Receiver of Compuquest and 225;

d. The balance to be deposited into the Ashburn Property Account as defined in the Order of Madam Justice Conway dated January 25, 2017, to be held by the Receiver pending any further Order of the Court.

e. The distribution of funds pursuant to subparagraphs (b) and (c) is without prejudice to the rights of all parties.

35. The Receiver requires a formal Order authorizing the interim distribution of funds.

36. After being advised of the settlement of Aimee's motion and the agreed distribution of funds, Salem and Norris objected to the settlement. The Receiver's position is that the settlement does not affect the rights or interests of Salem and Norris and that they have no standing to object.

37. As a result of this objection, the Receiver was required to book an urgent appointment for approval of the distribution.

38. The approved sale price of the Ashburn Property is $3,470,000.

39. CIBC holds a first mortgage over the Ashburn Property in the amount of $1,000,000, which was registered on January 23, 2015. This is separate from the debts of Compuquest to CIBC. There is no issue that the CIBC mortgage is first in priority and must be paid.

40. To date, the Receiver has traced approximately $1,000,000 of Compuquest funds into the Ashburn Property. The Receiver's investigation is not complete. The Receiver's position is that it is entitled to a tracing/constructive trust claim in priority to the interests, if any, of Gary and Aimee in the Ashburn Property.

41. All of Gary's rights and interests have vested in the Trustee.

42. The only other claimants to an interest in the sale proceeds are Salem and Norris. Salem and Norris originally delivered unsecured claims in the estates of Compuquest and Gary.

43. Following the delivery of the Receiver's motion returnable on July 17, 2017, Salem and Norris purported to file secured claims in the estates of Compuquest and Gary, based on the RLOC Agreements. The parties agreed that the validity of the secured claims would be dealt with on the Receiver's motion on July 17, 2017.

44. The Receiver strongly disputes the validity of the claim by Salem and Norris to a secured interest in the Ashburn Property. Among other things:

   a. There is no evidence that Gary guaranteed the indebtedness of Compuquest to Salem or Norris prior to December 31, 2015;

   b. Salem was aware of Compuquest's financial difficulties at the time of the RLOC Agreement;

   c. Salem and Gary were not dealing at arm's length;

   d. Salem was actively coaching Gary on how to deal with CIBC;

   e. Salem was aware that Aimee executed the modified RLOC Agreement on March 3, 2016 based on express written representations that it would only cover "Gary's share" of the Ashburn Property;

   f. Gary's interest in the Ashburn Property vested in the Trustee on Gary's bankruptcy, which took place less than three months later;

   g. The RLOC Agreements are void against the Receiver and the Trustee as fraudulent conveyances and/or preferences;

h. Compuquest and Gary made significant preferential payments to Salem and Norris at a time when Compuquest and Gary were both insolvent.

i. The alleged interests of Salem and Norris in the Ashburn Property are subordinate to the interests of the Receiver and the Trustee;

j. Salem and Norris did not make full disclosure on their *ex parte* applications for the CPL and the Glustein Order;

k. Salem and Norris do not have "clean hands" and are not entitled to equitable relief.

45. These and other issues related to the claims and conduct of Salem and Norris will be determined at the November 6, 2017 hearing.

46. Regardless of the merits of the "equitable mortgage" claimed by Salem and Norris, their interests will not be affected by the interim distribution of funds pursuant to the settlement with Aimee. The Receiver will be holding sufficient funds in the Ashburn Property Account to cover these claims, if they are found to be valid and to have priority of the interests of Aimee, the Receiver and the Trustee.

CONCLUSION

47. The Receiver requests an urgent order approving the interim distribution of funds pursuant to the settlement between the Receiver and Aimee.

All of which is respectfully submitted to the Court.

GRANT THORNTON LIMITED,
Court-Appointed Receiver of
1299746 Ontario Inc. o/a Compuquest2000
and 2252709 Ontario Inc.

Per:

J. Krieger, CPA, CA, CIRP, LIT
Senior Vice President

B E T W E E N

CANADIAN IMPERIAL BANK OF COMMERCE	-and-	1299746 ONTARIO INC. o/a COMPUQUEST2000, et al.
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Proceeding commenced at Toronto

EIGHTH REPORT OF THE RECEIVER

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